

CALIFORNIA BOARD OF LEGAL SPECIALIZATION OF THE STATE BAR OF CALIFORNIA



180 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-1639
TELEPHONE: (415) 538-2120



FAMILY LAW CERTIFICATION EXAM

Date	Sunday, August 14, 2005 9:00 a.m. – 4:00 p.m.
Registration deadline	Friday, July 1, 2005
Exam sites	Westin at San Francisco Airport Radisson at Los Angeles Airport
Fee	\$300 writing (\$350 if using a laptop PC) <i>fee includes a box lunch</i>
Exam format	<p>The exam is divided into two three-hour sessions – the morning session includes 50 multiple-choice questions and two essay questions; the afternoon session includes four essay questions. There are no optional questions; each examinee is expected to answer all questions on the exam.</p> <p>The 50 multiple-choice questions, worth three points each, are designed to be answered in approximately 90 minutes. Each essay question is worth 75 points and is designed to be answered in approximately 45 minutes.</p>
Scoring	The maximum number of points available is 600. A passing score is 420 points, or 70%. Exams with scores between 65-70% are re-read by a Committee of Reappraisers. The decision of the Committee is final, pursuant to section 8.3 of the Rules Governing the State Bar of California Program for Certifying Legal Specialists. Results are mailed only after all reappraisals have been completed.
Reference materials	No reference materials are allowed during the exam.
Testing accommodations	Available at both sites. Contact ivonne.broussard@calbar.ca.gov or (415) 538-2145 for more information.
Study resources	See attached standards for certification, exam specifications, and sample exam questions.

For more information, visit www.californiaspecialist.org

THE STANDARDS FOR CERTIFICATION AND RECERTIFICATION IN FAMILY LAW

1.0 DEFINITION

Family law is the practice of law dealing with all aspects of the California Family Code and including, but not limited to, the following: taxation issues incident to family law practice; contempt; enforcement proceedings; mediation and/or negotiation of family law disputes; psychological and counseling aspects of family law; family law writ and appellate practice; postmarital agreements; nonmarital domestic relationships; child custody in any forum; and public enforcement of child support.

2.0 TASK REQUIREMENT FOR CERTIFICATION

2.1 An applicant must demonstrate that within the five (5) years immediately preceding the initial application, he or she has been substantially involved in the practice of family law, which shall include actual experience in each of the following areas:

- 2.1.1 Restraining orders/domestic violence proceedings;
- 2.1.2 Dissolution of marriage, legal separation, or nullity of marriage litigation;
- 2.1.3 Custody of children;
- 2.1.4 Child support;
- 2.1.5 Spousal support;
- 2.1.6 Modification of support;
- 2.1.7 Division of community property;
- 2.1.8 Confirmation of separate property;
- 2.1.9 Taxation issues incident to dissolution of marriage;
- 2.1.10 Contempt and/or enforcement proceedings;
- 2.1.11 Mediation and/or negotiation of family law disputes; and
- 2.1.12 Psychological and counseling aspects of dissolution of marriage.

2.2 A prima facie showing of substantial involvement in the area of family law is made by completion of at least four (4) of the following five (5) categories:

- 2.2.1 Principal counsel in twenty (20) contested family law hearings involving one or more issues set forth in section 2.1, submitted to a court for a decision;

2.2.2 Principal counsel in five (5) hearings or trials under the California Family Code which are within the definition of family law in section 1.0 of these standards, and which are three (3) hours or more in length and involve testimony of witnesses; or other alternative task and experience which the advisory commission deems to substantially comply with the foregoing task and experience requirement, including but not limited to:

2.2.2.1 Evidentiary hearings or trials in other practice areas;

2.2.2.2 Sitting as pro tem judge or arbitrator in contested hearings or trials under the California Family Code or within the definition of family law in section 1.0 of these standards;

2.2.2.3 Successful completion of a recognized trial advocacy program that conforms to guidelines developed by the Family Law Advisory Commission;

2.2.3 Principal counsel in a minimum of thirty (30) negotiated family law judgments or negotiated marital settlement agreements;

2.2.4 Principal counsel in thirty (30) stipulated temporary family law orders; or

2.2.5 Principal counsel and principal author of the briefs in three (3) California family law appeals in which an opinion was filed.

Principal counsel is the attorney who spends a majority of the time on a case in the activities of preparation, review, filing and representing a client at an interview or hearing. There can be only one principal counsel per case.

3.0 EDUCATIONAL REQUIREMENT FOR CERTIFICATION

An applicant must show that, within the three (3) years immediately preceding the application for certification, he or she has completed not less than forty-five (45) hours of educational activities specifically approved for family law as follows:

3.1 Not less than nine (9) hours in the areas of dissolution of marriage, contempt and/or enforcement, or mediation and/or negotiation of family law disputes;

3.2 Not less than six (6) hours in the area of custody of children;

- 3.3 Not less than nine (9) hours in the areas of child support, spousal support, or modification of support;
- 3.4 Not less than twelve (12) hours in the areas of division of community property, confirmation of separate property, or taxation issues incident to dissolution of marriage;
- 3.5 Not less than six (6) hours in the area of psychological and counseling aspects of dissolution of marriage; and
- 3.6 Not more than three (3) hours in the following areas:
 - 3.6.1 Paternity litigation,
 - 3.6.2 Adoption litigation,
 - 3.6.3 Problems of the nonmarital family,
 - 3.6.4 Writs and appeals from dissolution of marriage, legal separation or nullity of marriage litigation,
 - 3.6.5 Proceedings to free a minor from the custody and control of parent(s),
 - 3.6.6 Problems of domestic violence;
 - 3.6.7 Guardianships of the person or children; and
 - 3.6.8 Law office management of a family law practice.

4.0 TASK REQUIREMENT FOR RECERTIFICATION

- 4.1 An applicant for recertification must show that during the current five (5) year certification period he or she has participated in a total of fifty (50) of the following proceedings in any combination:
 - 4.1.1 Contested hearings or trial proceedings under the California Family Code, or within the definition of family law, section 1.0 of these standards, which are three (3) hours or more in length and involving testimony of witnesses.
 - 4.1.2 Negotiated or mediated family law judgments, property settlement agreements, marital settlement agreements, stipulated temporary or post judgment orders and/or stipulated appeal settlements;
 - 4.1.3 Acted as mediator, arbitrator, evaluator, or special master in any of the proceedings delineated in section 1.0 of these standards.
- 4.2 Compliance with the foregoing requirements may be demonstrated, in the discretion of the Commission, by sworn statement that the applicant has engaged in the practice of family law substantially to the same extent as described in the application for original certification.

5.0 ALTERNATIVE TO TASK REQUIREMENT FOR RECERTIFICATION

As an alternative to the task requirements listed in section 4.0 above, an applicant may qualify by completing any of the following:

- 5.1 One-half (1/2) day superior court family law pro tem judge service in contested hearings or trials shall be the equivalent of two (2) contested hearings or trials;
- 5.2 Teaching a minimum of fifty (50) actual hours of educational programs approved by the Commission shall be the equivalent of fifteen (15) contested hearings or trials;
- 5.3 Preparation of a case for contested proceedings under the California Family Code or within the definition of family law, Section 1.0 of these standards, shall be equivalent to a contested hearing or trial;
- 5.4 Acting as principal counsel and principal author of the pleadings and briefs in twelve (12) appeals and/or writs filed with a Court of Review, involving proceedings under the California Family Code or within the definition of family law, section 1.0 of these standards;
- 5.5 Acting as principal counsel and principal author of the pleadings and briefs in one appeal and/or writ filed with a Court of Review, involving proceedings under the California Family Code or within the definition of family law, section 1.0 of these standards, shall be the equivalent of four (4) contested hearings or trials.

6.0 EDUCATIONAL REQUIREMENT FOR RECERTIFICATION

An applicant for recertification must show that during the current five (5) year certification period he or she has completed not less than sixty (60) hours of educational activities specifically approved for family law, of which not less than six (6) nor more than ten (10) hours shall be in psychological and counseling aspects of family law.

Specifications For State Bar of California Family Law Certification Examination

Purpose of the Examination: The Family Law Examination consists of a combination of essay and multiple-choice questions. It is designed to verify the applicant's knowledge of and proficiency in the usual legal procedures and substantive law that should be common to specialists in the field as represented by the skills listed below. We recognize that these skills are interrelated, which may require that you apply several skills in responding to a single exam question. Also, the order of the skills does not reflect their relative importance, nor does the skill sequence represent an implied order of their application in practice.

Your answers to the exam questions should reflect your ability to identify and resolve issues, apply the law to the facts given, and show knowledge and understanding of the pertinent principles and theories of law, their relationship to each other, and their qualifications and limitations. Of primary importance for the essay questions will be the quality of your analysis and explanation.

Knowledge of the following fundamental lawyering skills may be assessed:

Skill 1: Professional Responsibility

- 1.1 Duties to clients, opposing counsel and the Court
- 1.2 Bases for attorney's fees
- 1.3 Bases for sanctions
- 1.4 Fee agreements
- 1.5 Duties of appointed counsel for minors
- 1.6 Fee arbitration
- 1.7 Arbitration/mediation and dual representation
- 1.8 Conduct resulting in malpractice/discipline
- 1.9 Psychological aspects of marital and non-marital discord

Skill 2: Family Law Jurisdiction

- 2.1 Personal jurisdiction/subject matter jurisdiction
- 2.2 Federal jurisdiction
- 2.3 UCCJA and 28 USC (FPKPA)
- 2.4 Hague Convention
- 2.5 Venue
- 2.6 Validity of foreign judgments
- 2.7 Modification/registration of foreign judgment

Skill 3: Marital and Non-Marital property

- 3.1 Characterization of property
- 3.2 Presumptions affecting property
- 3.3 Assets acquired through borrowing
- 3.4 Management and control of property
- 3.5 Assignment of debts and obligations
- 3.6 Reimbursement rights of spouses
- 3.7 Valuation of property
- 3.8 Management, control and fiduciary duties of spouses
- 3.9 Special issues regarding family residence
- 3.10 Deferred compensation and employment benefits
- 3.11 Business interests/goodwill
- 3.12 Stock, stock options and royalties
- 3.13 Putative spouse property rights

Skill 4: Tax Issues Relating to Family Law

- 4.1 Tax planning/significance of separation
- 4.2 How to use tax returns

- 4.3 Tax considerations regarding support/recapture rules
- 4.4 Tax considerations regarding property division/allocations
- 4.5 Effect of capital gains tax on marital property
- 4.6 Consideration of tax implications by court at trial
- 4.7 Tax basis in sale of residence
- 4.8 Tax exclusions in sale of residence
- 4.9 Tax implications in dividing pension assets

Skill 5: Custody of Children

- 5.1 Jurisdiction and venue
- 5.2 Factors to determine custody
- 5.3 Use of mediation/conciliation
- 5.4 Use of experts
- 5.5 Counsel for children
- 5.6 Modification proceedings
- 5.7 Termination of parental rights
- 5.8 Federal Law implications
- 5.9 Child abuse implications
- 5.10 Family/Juvenile/Probate Court proceedings

Skill 6: Child/Spousal Support

- 6.1 Statutory authority/case law regarding duty to support
- 6.2 Adult child support
- 6.3 Amount of support
- 6.4 New mate/co-habitee income
- 6.5 Statewide guidelines for support
- 6.6 Health insurance/life insurance
- 6.7 Security for future support
- 6.8 Dependency exemptions
- 6.9 Duration of support
- 6.10 Modification of support
- 6.11 Effect of death on support
- 6.12 Effect of co-habitation on support
- 6.13 Agreements regarding non-modifiability of support
- 6.14 Tax implications to support payments

Skill 7: Non-Marital Relationships/Issues

- 7.1 Establishing paternity/presumptions
- 7.2 "Marvin" lawsuits
- 7.3 Pre-marital and post-marital agreements
- 7.4 Support implications to non-marital relationships
- 7.5 Custody considerations
- 7.6 Tax considerations
- 7.7 Domestic Violence Prevention Act

Skill 8: Procedural Problems

- 8.1 Validity of marriage
- 8.2 Nullity/legal separation
- 8.3 Restraining orders
- 8.4 Use of motions/orders to show cause
- 8.5 Service of process
- 8.6 Valuation dates
- 8.7 Joinder/consolidation
- 8.8 Trial preparation/discovery
- 8.9 Bifurcation
- 8.10 Summary dissolution

- 8.11 Effect of death of one party on proceedings
- 8.12 Reconciliation
- 8.13 Interspousal torts
- 8.14 Use of evidence/privileges
- 8.15 Preservation of record/appeals and writs
- 8.16 Ethics/bounds of advocacy
- 8.17 Motions for reconsideration/to set aside judgments/new trial
- 8.18 Partition actions
- 8.19 "Missed" assets
- 8.20 Declarations of Disclosure
- 8.21 Contempt/enforcement proceedings
- 8.22 Bankruptcy

Skill 9: Alternative Dispute Resolution

- 9.1 Arbitration/private judging
- 9.2 Mediation
- 9.3 Negotiation of Family Law Disputes

STATE BAR OF CALIFORNIA FAMILY LAW CERTIFICATION EXAM

SAMPLE QUESTIONS

Sample Question #1

While on separate vacations in Bali, Herman and Winifred met and, on the 11th day of their relationship, they pledged their love in front of a self-proclaimed high priestess, who blessed them both and pronounced them man and wife. Soon after, they returned to the United States because Herman was scheduled to start Spring Training, as he had recently been drafted to play professional baseball. Winifred returned to her job as an airline pilot, based in Los Angeles and New York City.

After 11 years of marriage and the birth of two children, Herman was still playing professional baseball, and Winifred was still an airline pilot based in New York City and Los Angeles. During the baseball season, Herman, Winifred, and their two children lived in a co-op they owned in New York City. During the off-season, they often went to their ranch in Santa Barbara, California. Husband and wife vote and file state taxes in California.

During their 11th year of marriage, things were not going well for the couple. Winifred went to an attorney in Santa Barbara and told him to file a dissolution action. The documents were prepared and signed by Winifred. Immediately after signing the petition, Winifred went to the bank and withdrew \$100,000 from their joint account, in order to buy a luxury sports utility vehicle, as the lease on her vehicle had expired. She also severed the joint tenancy on the ranch.

Winifred's attorney was having difficulty serving Herman with the papers, so while Herman was in the dugout in Fenway Park in Boston, Winifred personally delivered an envelope to him. He opened the envelope and found a conformed copy of a Summons, Petition, Form Interrogatories, Notice to Produce, and Order to Show Cause for support, as well as a completed Income and Expense Declaration. The Order to Show Cause was calendared for 18 days from the date he was served. When Herman returned to New York City, he went to see an attorney about the papers he had received from Winifred.

Identify and discuss the jurisdictional and procedural issues for each party.

Sample Question #2

Maria and Frank were married and had four children under the age of 12: Suzie, Priscilla, David, and Donald. David and Donald were twins. Maria and Frank both worked full-time and shared the responsibilities of the children as equally as they could during their marriage. To the extent necessary, the children had nannies, after-school activities, and childcare. Neither parent had relatives living nearby who could assist with the care of the children.

Strains developed in the marriage and Maria and Frank ultimately decided to separate. They established separate households not too far from each other. Maria filed a petition for dissolution of their marriage and served Frank. In addition, Frank was served with Maria's Order to Show Cause application regarding the issues of child custody and visitation. They subsequently agreed to an order of joint legal and physical custody of the children with an open-ended timeshare, which they acknowledged they intended would amount to a 50-50 timeshare. On the day the motion was calendared, a child custody order was entered by the court, based on the stipulation offered by Maria and Frank to the court at the time of the hearing.

Following the hearing described above, and before the entry of judgment, the custodial plan was implemented in accordance with the stipulation, which was now a court order. Very soon, the children began to act out and misbehave. Maria began to plan increasingly more activities for the children, both after school and on weekends. She enrolled the boys in a soccer program that often took them to other towns for games on the weekends. These activities reduced the time Frank could spend with the children.

As the children became more difficult to deal with, Maria found herself forging closer ties with her parents who lived in another state. Within months after the court entered the joint physical custody order, Maria decided to move back to her home state with the children. When she discussed this with the children, the two girls were receptive, but the boys were not. Frank objected strenuously to Maria's proposed move with all the children. He hired counsel who filed a motion seeking to prevent Maria's move and requesting a change of

custody of all the children to sole physical custody for Frank. Frank instructed his lawyer that the fallback position for Frank should be that the boys remain with him and he be awarded sole physical custody of them, allowing the girls to move with Maria. Maria opposed Frank's motion and filed her own motion seeking permission to move with all the children.

- A. What arguments should Maria's attorney make?**
- B. What arguments should Frank's attorney make?**

As you answer these questions, do not speculate about pending cases and how they might affect your answer; answer on the basis of present case law.

Sample Question #3

Part One

Amanda Accountant and Ed Executive both worked for the same employer – BFG.com, a Silicon Valley Internet company. Amanda was the new CFO and Ed was BFG's energetic CEO.

After a whirlwind romance, the parties planned an immediate quickie wedding at the Lake Tahoe Chapel of Love. The Monday before the Saturday wedding, Ed and Amanda "dropped by" the office of his family law attorney, where Amanda was presented with a 27-page premarital agreement. With Ed's six lawyers standing around him, Amanda attempted to read the document.

Amanda went through the premarital agreement quickly and made the following comment: "This is pretty standard stuff, right?" To which Ed's six attorneys nodded in unison. Then she came to the signature line and noticed a signature line for "Amanda's counsel." When she inquired, one of the attorneys said that she might like to have her own attorney take a look at it.

On Friday, as the couple was about to drive up for the wedding, Ed asked Amanda where the signed agreement was. She replied that she hadn't seen an attorney, so the document was not signed. Ed asked her if she read it, and she admitted that she had. He told her that, if she didn't sign it, the wedding was off.

Ed and Amanda then went back to his attorney's office and signed the agreement in front of the notary public there. They then dashed away to Tahoe for their Chapel of Love ceremony. The

premarital agreement provided for a mutual waiver of spousal support and further provided that each party's earnings during the marriage would remain their separate property.

- A. If Amanda had consulted you prior to signing the premarital agreement, how should you have counseled her?**
- B. If Amanda were consulting you in a divorce scenario wherein the validity of the premarital agreement were in question, what advice should you offer?**

Part Two

We are back with Ed and Amanda again, but a few years down the line.

Each party's fortunes took dramatic separate turns during the course of the marriage. BFG imploded, along with most of the rest of Silicon Valley. Both Ed and Amanda lost their jobs. However, Amanda had exercised and cashed out her stock options as they vested, so she had savings of \$1 million. Ed had believed that he could lead the company back to prosperity, so he kept investing in the company until he was left with nothing.

Amanda, on the other hand, went into private practice as a family law forensic accountant and became quite successful, with an annual salary comfortably into the six figures.

Ed was unable to become re-employed as a CEO and eventually settled for a job as a high school history teacher, making about \$40,000 a year. He became quite depressed about the disparity in their incomes and the fact that Amanda was so successful, but he was, as he considered it, scraping the bottom of the barrel. Amanda, feeling sorry for him, offered to modify their premarital agreement. Ed agreed that a modification would make him feel better. He found a self-help book and wrote up a document entitled "Post-Nuptial Agreement." The document stated, "For love and affection, everything we each acquired during the marriage shall be equally shared."

The parties had a celebratory dinner, signed the agreement, and toasted their renewed commitment to each other. Neither party consulted with an attorney prior to signing the document. Two weeks after signing the document, Ed fell head over heels for the new English teacher and filed for divorce, claiming that everything in each party's name is community property.

C. You are still Amanda's attorney. What advice should you give her concerning the validity of the Post-Nuptial Agreement and the Pre-Marital Agreement at this point in time?

Sample Question #4

Herbert and Wendy are separated and have filed for a dissolution in California. Wendy resides in the family dwelling and Herbert resides elsewhere.

During (and after) the marriage, Herbert was an outside consultant to ZDF Inc., a closely held corporation. Herbert received a modest consulting fee from ZDF and ZDF stock, which, at the time of separation, had a book value of \$.05.

Herbert said Wendy could keep most of the furniture and furnishings that are already in her possession, however he wanted an appraisal, and to have Wendy charged with the value, as several pieces were antiques. Wendy claimed there were very few antiques and they would not be worth the cost of an appraisal. Herbert grudgingly agreed to not having an appraisal, but drafted a list of items he wanted from the house. This list included some sports equipment and a nicely framed lithograph. Wendy told Herbert the house had been burglarized and the lithograph was gone. Herbert did not believe Wendy and requested insurance information and a police report.

Wendy never provided Herbert with the insurance information or a copy of the insurance claim form, but obtained a replacement lithograph, which she offered Herbert at trial. Wendy's final Declaration of Disclosure, submitted the day of trial, stated the community property furniture and furnishings were worth \$5,000. Herbert was furious and wanted a full half of everything to which he was entitled.

During trial, it was discovered that Wendy would soon receive a check for about \$33,000 from the insurance company, representing furniture and furnishings stolen from the house. Unknown to Herbert or his attorney was the fact that Wendy had already received \$14,000 from the insurance company, as a preliminary payment.

The court ruled that the check from the insurance company should be placed into a trust account and applied to the equalization of the property as divided by the judgment. The ZDF stock was awarded to Herbert at a nominal value.

Just before the trial, at an industry luncheon, Herbert heard rumors that ZDF was about to sell

out to a major firm, but had no actual knowledge of the pending purchase. Nine days after the trial, Big Electric purchased ZDF. Every four shares of ZDF stock was exchanged for one share of Big Electric stock, which was trading at \$56 per share.

The parties could not agree on an equalization payment because Wendy claimed the \$33,000 was mainly hers because the furniture losses included items she was to keep. Herbert discovered the additional \$14,000 payment.

A. What remedy or remedies does Herbert have against Wendy in regard to the insurance proceeds? Discuss.

B. What remedy or remedies does Wendy have against Herbert in regard to Big Electric Stock? Discuss.

Sample Question #5

Husband and Wife were married for 20 years at the time of divorce, and their two children (ages 10 and 15) resided 80% with their mother. At the time of divorce, Husband was earning over \$1 million per year and Wife earned \$25,000 annually as a part-time secretary. Wife has just inherited \$2 million from her family (non-producing income).

Husband filed to modify the child and spousal support award. Among the issues to be decided are whether the children should continue in private school. Wife prefers this, but Husband opposes, saying "Public schools in the area are top-notch, college preparatory schools."

Husband pleads he can pay any reasonable spousal and child support, and refuses to answer the pre-hearing discovery requests of Wife.

Husband states that, because Wife has a BA and PhD in psychology, she should be earning much more than \$25,000, and because of her recent inheritance she can meet the marital standard of living, so spousal support should be terminated, reserved, or at a minimum, he asks for a Richmond order.

Wife disagrees, but adds that Husband should put money into a fund to secure the children's college educations.

A. What impact does Wife's \$2 million inheritance have on the decision? Discuss.

- B. What is the court likely to decide on the private vs. public school issue? Discuss.**
- C. What impact does Wife's potential employability have on the support issue? Discuss.**
- D. What does the test taker think about the issue of termination, reservation, or Richmond for Special Support if the marital standard of living is currently being met? Discuss.**
- E. What is the court likely to rule on Wife's request for securing the children's college education? Discuss.**

Sample Question #6

Herbert bought Horseacre, a ranch with a residence in a rural area of California, in 1997. At that time, he became employed as a salaried veterinarian for VETCO, a local veterinary clinic. In 1998, Herbert formed a professional corporation, HERBERT, D.V.M., Inc., for tax purposes. Thereafter, at Herbert's direction, VETCO paid Herbert's salary to HERBERT, D.V.M. Inc., instead of to Herbert directly.

Herbert and Wendy were married on June 30, 2000 at Horseacre, and Wendy moved into Horseacre immediately after the wedding. At the time of the marriage, Horseacre had a fair market value of \$250,000 and an encumbrance of \$200,000, which required interest only monthly payments with a balloon payment in the year 2007.

In 2001, the owner of VETCO decided to retire and offered to sell the clinic to Herbert at a price of \$250,000. He required that Herbert pay \$100,000 at the time of the sale and he agreed to carry back a note for the balance which was to be paid over five years, with interest. Herbert used HERBERT, D.V.M., INC. to acquire VETCO. In order to raise the down payment, however, Herbert needed to refinance Horseacre and use \$100,000 of the proceeds for that purpose.

At the time of the refinancing of Horseacre, it had a fair market value of \$350,000. Herbert therefore borrowed \$300,000, which paid off the existing outstanding encumbrance of \$200,000 and provided the \$100,000 down payment for the acquisition of VETCO. The lender required that Wendy be placed on the loan and therefore, at the time of the refinancing, title to Horseacre was placed in Herbert and Wendy, husband and wife,

as joint tenants, and both were obligated on the loan.

Herbert's corporation, HERBERT, D.V.M., INC., bought VETCO in March of 2001 for the offered price and executed a promissory note for the balance of the purchase price. This note was personally guaranteed by Herbert and secured with Horseacre, with the consent of both parties. At the time of the acquisition of VETCO, HERBERT, D.V.M., INC. had no tangible assets except for a bank account, which contained the last paycheck from VETCO in the sum of \$10,000.

In March of 2003, Herbert and Wendy separated and Wendy filed for a dissolution of marriage in California. At the time of the separation, VETCO had a fair market value of \$400,000. Since its acquisition, Herbert was VETCO's only veterinarian.

A. At the trial, the court is asked by the parties to determine the character of VETCO.

1. What arguments should be made on behalf of WENDY in support of characterizing VETCO as community property?
2. What arguments should be made on behalf of HERBERT in support of characterizing VETCO as separate property?
3. What is the likely determination of the court as to the interests of the parties in VETCO, and why?

B. Assume that the parties agree that Horseacre is to be sold and that its value has increased every year since Wendy and Herbert's marriage. How should the Court divide the proceeds from the sale of Horseacre?